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SUBJECT: ERITREA: TEXTILES AND APPAREL SECTOR

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¶1. In response to reftel, post provides the short narrative below. The Government of the State of Eritrea (GSE) strictly controls the economy of Eritrea and nearly all of the industries. It shares almost no information on the textile industry, (or other industries) publicly. To the best of post's knowledge, Eritrea has no import/export business in textiles with the U.S. Government policies do not encourage private sector growth and post is unaware of government plans to expand production in the textile industry. Since Jan 2005, the GSE has severely limited imports and most production in Eritrea is for local consumption. There are a few exporting industries. The Italian owned shirt factory, Zambiati, described in para. 4 is one example.

¶2. Eritrea has limited trade partnerships and does not maintain formal trade relationships with its immediate neighbors, Sudan and Ethiopia. Eritrea does engage in trade with regional partners, such as Djibouti, Yemen, UAE, Saudi Arabia, and Italy. The 2005 International Monetary Fund's Article IV Consultation estimated 2005 exports at a total of USD 12 million, with manufactured goods, such as textiles, being only an estimated 10 percent of exports. At this time, post is unaware of Eritrea participating in any free trade agreements.

¶3. Presently, three textile factories operate in Eritrea. The government owns two of the companies and the third is privately owned. As noted, the government does not make available statistics and data from the two government-owned factories. Post has no reliable data on either industrial production value or number of persons employed by these enterprises. Post did ascertain that one factory produces T-shirts and military uniforms and the other shirts for school uniforms.

¶4. Zambiati Eritrea (ZAER) is a privately held Italian company producing dress shirts for men and women. The company imports the raw materials, such as cotton, from Italy to be woven into fabrics and sewn into shirts. They also import woven fabric for production. ZAER produces 15,000 shirts per month, most exported to Italy, where they retail for EURO 85. In October 2006, the company plans to increase production to 21,000 shirts each month. Zambiati also exports woven cotton yarn, about 25,000 kilos per year with plans to expand production to 45,000 kilos. Zambiati employs 250 women.

DeLisi